

Message Text

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SUBJ: INTERNATIONAL MINING CO

REF BOGOTA 6478

SUMMARY: EMBOFFS DISCUSSED IMC SITUATION WITH CO OFFICIALS. IT BECAME CLEAR THAT CO HAS NO INTENTION OF AGREEING TO GOVT DEMAND FOR 51 PERCENT CONTROL WITHOUT COMPENSATION AND THAT CO OFFICIALS PREFER OUTRIGHT EXPROPRIATION. ONE SMALL HOPE IS THAT PRIVATE COLOMBIAN GROUP INTERESTED IN PURCHASING 51 PERCENT OF IMC'S HOLDINGS IN COLOMBIA AND IMD IS VERY INTERESTED IN PROPOSAL. EMB IS CONTINUING AND INCREASING CONVERSATIONS ON SUBJ WITH GOVT OFFICIALS.

1. PATRICK O'NEILL, PRES INTERNATIONAL MINING CO, CALLED ON CHARGE AUG 9 ACCOMPANIED BY LOCAL IMC REP JACK SWAN. FOL DEVELOPMENTS CAME TO LIGHT:

2. A. JAIME MICHELSEN, PRES, BANCO DE COLOMBIA, AND FRANCISCO URRUTIA IMC COUNSEL, WILL TRAVEL TO NEW YORK AUG 15 TO MEET WITH IMC EXECUTIVES. MICHELSEN, WHO IS COUSEIN OF LIBERAL PRESIDENTIAL CANDIDATE ALFONSO LOPEZ MICHELSEN, HEADS UP GRUPO

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GRANCOLOMBIANO INVESTMENT COMBINE, WHICH WISHES PURCHASE

51 PERCENT OF IMC'S COLOMBIAN HOLDINGS (ALL THREE MINES). O'NEILL BELIEVES THERE IS NO LEGAL PROSCRIPTION AGAINST MICHELSEN'S DOING SO, DESPITE BILL INTRODUCED BY PRES LAST WEEK SEEKING AUTHORITY FOR EXPROPRIATION.

B. MINMINES SILVA HAS ORDERED BANCO DE LA REPUBLICA AND INCOMEX TO ISSUE PERMITS THEY HAD BEEN DELAYING FOR IMC PROFIT REMITTANCES AND IMPORTS OF EQUIPMENT AND MATERIALS. O'NEILL INTERPRETS ACTION AS SHOWING REASONABLE SPIRIT OF COOPERATION BY SILVA.

C. SILVA HAS ALSO AGREED TO CONSIDER THE POSSIBILITY OF PAYING IMC FULL FREE MARKET PRICE FOR GOLD PLUS TAX FORGIVENESS CERTIFICATES (CAT'S) FOR AS LONG AS CAT'S ARE CONTINUED IN COLOMBIA. UNTIL NOW IMC HAS ACHIEVED FREE MARKET PRICE ONLY BY INCLUSION OF CAT'S IN CALCULATION. THIS POSSIBILITY AROSE OUT OF TALKS OVER FORMS OF COMPENSATION WHICH MIGHT BE ACCEPTABLE TO COMPANY. THOUGH BY NO MEANS ACTUALLY OFFERING ANYTHING, SILVA ALSO SEEMS DISPOSED TO CONSIDER MORE LIBERAL REMITTANCES OF PROFITS ALONG LINES BEING WORKED OUT WITH HANNA IN ITS NICKEL MINING PROJECT. (SEE EMB A-81 APR 9/73). CONVERSATIONS ABOVE POSSIBILITY OF GOVT'S ASSUMING PENSION LIABILITIES OF CO HAVE NOT BEEN FRUITFUL ACCORDING TO O'NEILL, SINCE GOC CALCULATES AMOUNT OF CONTINGENT LIABILITIES AS DOUBLE THE 120 MILLION PESOS WHICH IMC HAS CALCULATED ON BASIS ACTUARIAL STUDIES.

D. O'NEILL AGREED IT WOULD BE USEFUL IF MEDELLIN CONSUL FORD COOPER VISITED CHOCO PACIFICO, PATO, AND FRONTINO MINES IN NEAR FUTURE SO THAT USG CAN BE BETTER INFORMED ABOUT FACTS. AS RESULT, CONSUL COOPER IS MAKING PREPARATIONS FOR TRIP IN CO AIRPLANE AUG 15 TO CHOCO PACIFICO AND PROBABLY PATO. E O'NEILL BELIEVES THAT MAN BEHIND INITIAL STEPS INEXPROPRIATION ADVENTURE WAS FORMER MINMINES RAFAEL CAICEDO FROM WHOM, SILVA FREQUENTLY SEEKS ADVICE. IT WAS CAICEDO WHO FIRST DEMANDED 51 PERCENT OF OWNERSHIP GRATIS WITH OPTION ON OTHER 49 PERCENT IN TEN YEARS. O'NEILL THINKS IT MIGHT BE USEFUL FOR CHARGE TO SEEK LUNCHEON WITH CAICEDO TO DISCUSS PROBLEM IN LOW KEY, FRIENDLY WAY.

3. MUCH OF CONVERSATION IN CHARGE'S OFFICE AUG 9 CENTERED ON MOTIVATIONS BEHIND GOC POSITION. O'NEILL IS BAFFLED OVER MOTIVES BUT BELIEVES PRES PASTRANA HIMSELF, RATHER THAN CHOCO LIMITED OFFICIAL USE

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POLITICIANS, IS PRINCIPAL MOTOR FOR EXPROPRIATION, PERHAPS FOR QUOTE GLORY UNQUOTE OF RETURNING SUBSOIL RIGHTS TO STATEJS AT LEAST IN PRECIOUS METALS. THE PRES APPARENTLY CONTENTS THAT IMC'S TITLE TO SUBSOIL RIGHTS IN PERPETUITY ON BASIS SMALL INITIAL PAYMENT IS UNJUST AND THAT THE COMPANY HAS MADE MONEY FOR MANY YEARS. THE GOC, O'NEILL STATED, HAS NEVER CLAIMED THAT THE TITLE WAS ILLEGAL.

4. O'NEILL IS ESPECIALLY CONCERNED ABOUT LOSING CONTROL OF MANAGEMENT, SINCE HE THINKS ENTIRE OPERATION WOULD GO DOWNHILL RAPIDLY WITH GOVT FEATHERBEDDING AND SCHEMES FOR RE-PICKING AREAS MINED OUT OR OVERLY PROSPECTED YEARS AGO. HE SAID THAT SOME TIME BACK, WHEN PRICE OF GOLD MADE OP MARGINAL, IMC HAD TRIED VIRTUALLY TO QUOTE GIVE AWAY UNQUOTE 51 PERCENT SHARES TO PRIVATE COLOMBIANS BECAUSE FIRM WANTED COLOMBIAN PARTICIPATION, BUT THERE WERE NO TAKERS. HE SAID HE WOULD MUCH PREFER THAT GOC EXPROPRIATE HOLDINGS THAN LOSE CONTROL OF MANAGEMENT TO GOC. HE WOULD EXPECT COMPENSATION EVEN, IF NECESSARY, AS RESULT OF GOVT TO GOVT NEGOTIATIONS.

5. O'NEILL ADMITS IMC MIGHT HAVE DONE BETTER JOB OVER YEARS IN PUBLICIZING SOCIAL AND ECONOMIC CONTRIBUTIONS TO COLOMBIA, BUT EVEN WHEN MARGINAL OPS JUSTIFIED EXPENDITURES FOR CLINICS, SCHOOLS, ETC., ATTEMPTS AT PUBLICITY OFTEN BACKFIRED, WITH CHOCO DEMAGOGUES MERELY CONFECTING QUOTE BIGGER LIES UNQUOZE. HE SAID SOME YEARS BACK A CHOCO POLITICIAN MADE PUBLIC STATEMENTS THAT CO WAS MAKING PROFITS OF US \$30 MILLION A YEAR AND THAT HE HAD DEFINITE PROOF THAT SUCH PROFITS WERE BEING REMITTED ILLEGALLY. O'NEILL IMMEDIATELY OFFERED TO SELL IMC HOLDINGS FOR US\$3 MILLION, BUT THERE WERE NO BUYERS. NOW, HOWEVER, HE VALUES MINES AT US\$30 MILLION, PARTLY SINCE HE INCLUDES ALL FUTURE EARNINGS ON BASIS NEW PRICE OF GOLD.

6. O'NEILL BELIEVES KEY TO NEGOTIATIONS IS PRES PASTRANA, AND CHARGE AGREED SOUND OUT PERSONS AROUND PRES TO LEAN MORE OF PRES'S ATTITUDE. MEANWHILE, COMMERCIAL ATTACHE SPOKE AUG 10 WITH FERNANDO LEYVA, BUSINESSMAN BROTHER OF ALVARO LEYVA, PRIVATE SEC TO PASTRANA. FERNANDO SAID SOLUTION TO CO'S PROBLEMS WILL BE QUOTE VERY DIFFICULT UNQUOTE. HE IS MEETING WITH SILVA AUG 14 AND SAID HE WOULD REPORT ANYTHING WORTH KNOWING TO COMATT THEREAFTER.

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7. SINCE AUG 8 CHARGE HAS TALKED TO FIVE MINS (NOT INCLUDING MIN OF FINAN OR MINES) TAKING LINE THAT HE DOES NOT UNDERSTAND WHAT IS BEHIND GOVT'S BILL AND REQUESTING MIN'S OPINION. ALL CLAIMED THAT THEY KNEW LITTLE ABOUT THE SITUATION AND HAD NOT REALIZED PROBLEM WAS SO SERIOUS. DIRECTOR OF PLANEACION PARTICULARLY INTERESTED STATING HE SAW NO REASON FOR SUCH ACTION AND PROMISED TO LOOK INTO MATTER IMMEDIATELY. WHITE

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